

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

METROPOLITAN LIFE INSURANCE
COMPANY, a foreign insurer,

Plaintiff-In-Interpleader,

v.

ROXANN CLINE, a single woman;
TERESA E. VALENTINE, individually
and as guardian for B.R.C.,
J.W.C., and B.M.C., minor
children,

Defendants-In-Interpleader.

No. CV-05-3104-FVS

ORDER ON SUMMARY JUDGMENT

TERESA E. VALENTINE, individually
and a guardian for B.R.C.,
J.W.C., and B.M.C., minor
children,

Third Party Plaintiffs,

v.

FIDELITY EMPLOYER'S SERVICES,
CO., LLC,

Third Party Defendant.

THIS MATTER comes before the Court on cross motions for summary judgment. Teresa E. Valentine is represented by James S. Elliot. Roxann Cline is represented by William J. Schroeder.

BACKGROUND

1 This is an interpleader action originally filed by Metropolitan
2 Life Insurance Company ("MetLife") in order to resolve competing
3 claims to MetLife's Group Universal Life Insurance Policy No. 95520
4 ("the Policy"). Having found MetLife to be a disinterested
5 stakeholder, the Court dismissed MetLife from the action on May 2,
6 2006. (Ct. Rec. 27.) The remaining parties, Teresa Valentine and
7 Roxann Cline, assert competing claims to both the Policy and the
8 benefits of a 401K maintained by Raymond E. Cline.

9 Teresa Valentine was married to Raymond Cline for approximately
10 18 years. Declaration of Teresa E. Valentine, January 7, 2007
11 ("Valentine Decl.") ¶ 2. On March 6, 2000, Raymond enrolled in the
12 Policy, a Group Universal Life Insurance Plan offered by his employer,
13 British Petroleum/Amoco Corporation ("BP"). Declaration of Roxann
14 Cline, January 3, 2007 ("Cline Decl.") ¶ 3. Raymond selected coverage
15 for himself in the amount of \$432,000. Raymond's Beneficiary
16 Designation lists Ms. Valentine as the sole beneficiary of the Policy
17 and indicates that she is "Entitled to 100% of benefits or \$432,000."
18 Statement of Material Facts in Supp. of Def.-In-Interpleader Roxann
19 Cline's Mot. For Summ. J. ("Cline SOF") Ex. 3. Raymond also
20 maintained a 401K retirement plan administered by BP Corporation of
21 North America, Inc. Cline Decl. ¶ 1. BP employs Fidelity Employer
22 Services Company, LLC ("Fidelity") to review domestic relations orders
23 to determine if they qualify as "Qualified Domestic Relations Orders"
24 under ERISA. Cline SOF Ex. 13 at 1.

25 On September 26, 2002, the Klickitat County Superior Court
26 entered a Decree of Dissolution ("the Divorce Decree") terminating

1 Raymond's marriage to Ms. Valentine. Cline SOF Ex. 4. The Decree of
2 Dissolution awarded Raymond, among other property, "All Insurance
3 Policies upon husband's life subject to his obligation to keep and
4 maintain the same and naming Petitioner Wife for the use and benefit
5 of herself and the children in the full amount of not less than
6 \$500,000." *Id.* Ex. 2. The Decree of Dissolution awarded Ms.
7 Valentine, among other property, "½ of 401(k) standing in the name of
8 Respondent Husband divided as at [sic] the date of the entry of this
9 Order." *Id.*

10 On September 21, 2003, Raymond married Roxann Cline. Cline SOF
11 Ex. 5. Shortly thereafter, he designated Ms. Cline as the beneficiary
12 of his 401K plan. Cline Decl. ¶ 6. It appears that Raymond also made
13 some attempt to designate Ms. Cline as the beneficiary of his life
14 insurance policy. See Cline SOF Exs. 6-7. However, MetLife never
15 received the documentation necessary to make this change. Cline Decl.
16 ¶¶ 21-23. In December of 2004, Raymond declared, "I have delivered
17 paperwork to my attorney so that the necessary steps may be completed
18 to have one-half of my 401K awarded to [Ms. Valentine]." Declaration
19 of Travis W. Misfeldt, January 8, 2007 ("Misfeldt Decl.") Exs. A-B.

20 Raymond passed away on December 15, 2004. Cline SOF Ex. 8. At
21 the time of his death, Raymond's life insurance policy was valued at
22 \$660,000. Valentine Decl. Ex. C. MetLife contacted Ms. Valentine by
23 letter on January 3, 2005, and estimated that she would receive the
24 entire death benefit. *Id.* Ms. Valentine and Ms. Cline both submitted
25 claims for the proceeds of the Policy. Cline Decl. ¶ 13. After
26 reviewing the claims, MetLife determined that the claims "are adverse

1 to one another and raise questions of fact and law that cannot be
2 resolved by MetLife without exposing it to the danger of double
3 liability." Cline SOF Ex. 11. MetLife advised the parties that an
4 interpleader action would follow. *Id.*

5 In March of 2005, Ms. Valentine's attorney, Julie Vance, advised
6 Fidelity of Ms. Valentine's claim to one-half of the 401K proceeds.
7 Misfeldt Decl. ¶ 5, Ex. E. Ms. Vance also made contact with the
8 attorney representing Ms. Cline in her capacity as the personal
9 representative of Raymond's estate. Ms. Cline's counsel indicated
10 that, once certain procedures were completed, "we should be able to
11 satisfy Mr. Cline's obligation to your client, with respect to the
12 401K." Misfeldt Decl. Ex. C.

13 Sometime prior to August 17, 2005, Fidelity distributed the 401K
14 benefits to Ms. Cline in their entirety. Cline Decl. ¶ 19; Valentine
15 Decl. ¶ 13, Misfeldt Decl. ¶ 5. Travis Misfeldt, Ms. Valentine's
16 current attorney, contacted Fidelity and again raised the issue of Ms.
17 Valentine's entitlement to half of the 401K proceeds. *Id.* ¶ 6.
18 Fidelity maintained that it had no obligation to Ms. Valentine. *Id.*
19 Exs. F-G.

20 After MetLife instituted the present interpleader action, Ms.
21 Valentine brought cross-claims against Ms. Cline and Fidelity seeking
22 to recover 50% of the 401K's value, as of September 26, 2002. (Ct.
23 Rec. 9.) On January 8, 2007, Fidelity filed a motion to dismiss Ms.
24 Valentine's third party claim. The Court subsequently granted this
25 motion on the grounds that Ms. Valentine failed to exhaust her
26 administrative remedies prior to bringing her claim against Fidelity.

(Ct. Rec. 89).

DISCUSSION

I. SUBJECT MATTER JURISDICTION

The disposition of the disputed funds is governed by the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1002(1) *et seq.* The federal district courts have exclusive jurisdiction over ERISA actions. 29 U.S.C. § 1132(e)(1). This action also presents a federal question, giving the Court jurisdiction under 42 U.S.C. § 1331.

II. LIFE INSURANCE PROCEEDS

The Employee Retirement Income Security Act ("ERISA") governs the administration of employee benefit and pension plans. 29 U.S.C. § 1001 *et seq.* Under this statute, a benefit plan must have at least one fiduciary responsible for administering the plan. 29 U.S.C. § 1102(a)(1). The fiduciary is charged with making payments to the beneficiary "in accordance with the documents and instruments governing the plan." *Metropolitan Life Ins. Co. v. Parker*, 436 F.3d 1109, 1113 (9th Cir. 2006) (quoting 29 U.S.C. § 1104(a)(1)(D)). When a court is called upon to determine the proper distribution of a benefit plan's proceeds, the court should determine whether the employee who participated in the plan ("the participant") unambiguously designated a beneficiary. If no such designation was made, the court should determine whether the plan provides a default beneficiary. *Id.* at 1114 (citing 29 U.S.C. § 1002(8)).

The interpretation of insurance policies under ERISA is governed by the federal common law of contract interpretation. *Allen v. Honeywell Ret. Earnings Plan*, 382 F. Supp. 2d 1139, 1162 (D. Ariz.

1 2005). Applying the federal common law, courts should interpret terms
2 "in an ordinary and popular sense as would a person of average
3 intelligence and experience." *Padfield v. AIG Life Ins. Co.*, 290 F.3d
4 1121, 1125 (9th Cir. 2002). Language is plain and unambiguous when
5 all alternative readings may be excluded as unreasonable. *McDaniel v.*
6 *Chevron Corp.*, 203 F.3d 1099, 1110 (9th Cir. 2000). Whether an
7 ambiguity exists is a question of law. *Id.* at 1111.

8 The Court finds that the language of the designation form is
9 plain and unambiguous. The designation form's reference to \$432,000
10 serves as a clarification of the policy's value at the time of the
11 designation. Ms. Cline has argued that a second interpretation is
12 possible; namely, the language "or \$432,000" may be interpreted as a
13 limitation on Ms. Valentine's entitlement. However, this
14 interpretation assumes that Raymond, at the time that he designated
15 his wife as the sole beneficiary of his life insurance policy,
16 intended for his wife to receive 100% of the policy's proceeds as long
17 as it was valued at \$432,0000, but for an unidentified third party to
18 receive a portion of the proceeds if they grew to \$432,000.01. As Ms.
19 Valentine has argued, Raymond was no doubt aware that the policy would
20 necessarily grow over time. His failure to designate a second person
21 as beneficiary of the funds in excess of \$432,00 speaks for itself.
22 Ms. Cline's proffered interpretation of the designation form must be
23 excluded as unreasonable.

24 Raymond having unambiguously designated Ms. Valentine as the
25 Policy's beneficiary, she is entitled to 100% of the Policy's
26 benefits.

1 **IV. 401K**

2 Ms. Valentine seeks to impose a constructive trust on the 401K
3 proceeds in Ms. Cline's possession. In evaluating this claim, the
4 Court must first determine whether constructive trusts, as equitable
5 remedies imposed under state law, are preempted by ERISA. If this
6 remedy remains available to Ms. Valentine, the Court will then
7 determine whether the imposition of a constructive trust is warranted
8 by the facts of this case.

9 **A. Does ERISA Preempt Washington's Constructive Trust Law?**

10 ERISA expressly provides that it "shall supercede any and all
11 State laws insofar as they may now or hereafter relate to any employee
12 benefit plan." 29 U.S.C. § 1144(a). The goals underlying this
13 "clearly expansive" preemption include the promotion of "nationally
14 uniform plan administration" and "minimizing the administrative and
15 financial burdens on administrators." *Egelhoff v. Egelhoff*, 532 U.S.
16 141, 146-148, 121 S. Ct. 1322, 1327-1328, 149 L. Ed. 2d 264, 271-273
17 (2001) (citing *Fort Halifax Packing Co. v. Coyne*, 482 U.S. 1, 9, 107 S.
18 Ct. 2211, 2217, 96 L. Ed. 2d 1, 11 (1987)).

19 Taking these principles into account, binding and well-reasoned
20 authorities have nevertheless concluded that ERISA does not preempt
21 the imposition of a constructive trust on plan benefits once they have
22 been distributed. The Ninth Circuit reached this conclusion in *Emard*
23 *v. Hughes Aircraft Co.*, 153 F.3d 949, 955 (9th Cir. 1998). While
24 neither party to the present action has cited *Emard*, they presumably
25 omitted this authority because the Supreme Court overruled *Emard* on
26

1 other grounds in *Egelhoff*.¹ The Ninth Circuit has implied, however,
2 that *Egelhoff* is limited to the secondary holding of *Emard*. See
3 *Metro. Life Ins. Co. v. Buechler*, 19 F. App'x 678, No. 00-35374, at
4 679 (9th Cir. 2001) (explaining that *Egelhoff* overruled *Emard* "to the
5 extent that *Emard* held that ERISA does not preempt state laws that
6 require an employee welfare plan to pay life insurance proceeds to
7 someone other than the named beneficiary"). See also *TCI Group Life*
8 *Ins. Plan v. Knoebber*, 244 F.3d 691, 700 (9th Cir. 2001) (stating,
9 "Whether *Emard's* reasoning survives the Supreme Court's recent
10 decision in *Egelhoff v. Egelhoff* [. . .] is a question that we leave
11 to the district court to decide in the first instance.")

12 Moreover, the Supreme Court's reasoning in *Egelhoff* suggests that
13 ERISA does not bar the imposition of constructive trusts on benefits
14 that have already been distributed in accordance with ERISA. The
15 Washington law at issue in *Egelhoff* "implicat[ed] an area of core
16 ERISA concern" in that it required plan administrators to consider a
17 set of statutory rules, rather than the plan documents, in
18 distributing plan benefits. 532 U.S. at 147-148, 121 S. Ct. at 1327-
19 28, 149 L. Ed. 2d at 271-272. Consequently, the law interfered with
20 uniform plan administration by subjecting administrators to different
21 legal obligations in different states. *Id.* at 148, 121 S. Ct. at
22 1328, 149 L. Ed. 2d at 272. State constructive trust law, on the

23
24 ¹In *Egelhoff*, the Supreme Court held that ERISA preempted a
25 Washington statute that invalidated spousal beneficiary
26 designations upon divorce. 532 U.S. at 143, 121 S. Ct. at 1325,
149 L. Ed. 2d at 269. This overruled the second section of the
Emard opinion where the Ninth Circuit held that ERISA did not
preempt the statute in question.

1 other hand, is comparable to so-called "slayer statutes," in that, as
2 creatures of common law equity, constructive trusts have "a long
3 historical pedigree" and may very well be "more or less uniform
4 nationwide." Such state laws, the *Egelhoff* Court implied, are not
5 preempted by ERISA.

6 Well-reasoned opinions of both the Sixth and the Tenth Circuits
7 have likewise held that ERISA does not preempt the imposition of a
8 constructive trust on benefits after their distribution. *Central*
9 *States, Southeast & Southwest Areas Pension Fund v. Howell*, 227 F.3d
10 672, 678-679 (6th Cir. 2000); *Guidry v. Sheet Metal Workers Nat.*
11 *Pension Fund*, 39 F.3d 1078, 1086 (10th Cir. 1994) (en banc). In
12 reaching this conclusion, the *Howell* and *Guidry* courts relied upon the
13 Supreme Court's decision in *Mackey v. Lanier Collection Agency and*
14 *Serv., Inc.*, in which the Supreme Court held that ERISA did not
15 prevent state courts from subjecting ERISA benefits to garnishment
16 proceedings. 486 U.S. 825, 831-2, 108 S. Ct. 2182, 2186, 100 L. Ed.
17 2d 836, 845 (1988). In another opinion, the Supreme Court observed,
18 "We see no meaningful distinction between a writ of garnishment and
19 the constructive trust remedy imposed in this case." *Guidry v. Sheet*
20 *Metal Workers Nat'l Pension Fund*, 493 U.S. 365, 372, 110 S. Ct. 680,
21 685, 107 L. Ed. 2d 782, 792 (1990). This dicta suggests that the
22 Supreme Court may also be in accord with the principle established by
23 *Emard, Guidry, and Howell*.

24 Accordingly, the Court holds that ERISA does not preempt the
25 imposition of a constructive trust on plan benefits following their
26 distribution to the beneficiary.

1 **B. Is the Imposition of a Constructive Trust Appropriate?**

2 A constructive trust arises when "a person holding title to
3 property is subject to an equitable duty to convey it to another on
4 the ground that he would be unjustly enriched if he were permitted to
5 retain it." *Brooke v. Robinson*, 125 Wn. App. 253, 257, 104 P.3d 674,
6 677 (Wash. Ct. App. 2004) (internal citations and quotation marks
7 omitted). Unjust enrichment occurs when,

8 1) One party confers a benefit upon the other;

9 2) The receiving party has an appreciation or knowledge of
10 the benefit; and

11 3) The receiving party retains the benefit under
circumstances that make it unjust for him or her to do so.

12 *Dragt v. Dragt/DeTray, L.L.C.*, 161 P.3d 473 (Wash. Ct. App. July 3,
13 2007) (citing *Bailie Commc'ns, Ltd. v. Trend Bus. Sys., Inc.*, 61 Wn.
14 App. 151, 159-60, 810 P.2d 12, 17-18 (1991)). The enrichment must be
15 unjust "both under the circumstances and as between the two parties to
16 the transaction." *Farwest Steel Corp. v. Mainline Metal Works, Inc.*,
17 48 Wn. App. 719, 732, 741 P.2d 58, 64-64 (1987)). Consequently,
18 unjust enrichment does not occur when the party receiving the benefit
19 was merely an "incidental beneficiary of the transaction." *Bort v.*
20 *Parker*, 110 Wn. App. 561, 580, 42 P.3d 980, 991 (Wash. Ct. App. 2002).

21 The imposition of a constructive trust is appropriate in this
22 case because Ms. Cline has been unjustly enriched by retaining the
23 entirety of the 401K proceeds. Ms. Cline does not dispute that she
24 both received a benefit, the 401K, and that she was aware of having
25 received the benefit. The evidence before the Court further
26 establishes that Raymond promised, through the Divorce Decree, to give

1 Ms. Valentine one-half of his 401K, as valued at the time of the
2 decree, and that Raymond began taking the steps necessary to fulfill
3 this promise in 2004. Misfeldt Decl. Ex. C; Valentine Decl. ¶ 13.

4 If Ms. Cline had been unaware of Raymond's intent concerning the
5 401K, she would be an incidental beneficiary of his failure to
6 transfer the 401K and a constructive trust would be inappropriate.
7 However, the evidence before the Court indicates that Ms. Cline was
8 aware of Raymond's promises to give Ms. Valentine one-half of the
9 401K. In fact, Ms. Cline's own attorney was attempting to carry out
10 Raymond's wishes regarding the 401K in March of 2005. In retaining
11 between \$50,000 and \$100,000 with knowledge that her late husband
12 intended these funds for the use of his ex-wife and four children, Ms.
13 Cline has done more than fail to carry out her husband's wishes. She
14 has also reneged on an implicit promise that she herself made, through
15 counsel, to honor the requirements of the Divorce Decree. Misfeldt
16 Decl. Ex. C.

17 Finally, the Court is not persuaded by Ms. Cline's argument that
18 Ms. Valentine has an adequate remedy at law. Ms. Valentine's
19 declaration establishes that she did not have the benefit of
20 traditional legal representation at the time of her divorce, making a
21 suit for malpractice impractical. Furthermore, an action against
22 Raymond's estate in state court could quickly return to this Court
23 through the removal process based on the preemptive effects of ERISA.
24 The imposition of a constructive trust in favor of Ms. Valentine is
25 therefore appropriate.

26 **III. CONCLUSION**

1 As the sole beneficiary of MetLife's Group Universal Life
2 Insurance Policy No. 95520, Ms. Valentine is entitled to 100% of the
3 Policy's proceeds and the interpleaded funds should be distributed to
4 her. Ms. Valentine is also entitled to one-half of the 401K, as
5 valued on September 26, 2002. The current record does not indicate
6 what the value of the 401K was on the date in question. As a result,
7 the Court is unable to specify the amount to which Ms. Valentine is
8 entitled. Accordingly, this matter must proceed to trial² on the sole
9 issue of the 401K's value on September 26, 2002. The Court being
10 fully advised,

11 **IT IS HEREBY ORDERED:**

12 1. Roxann Cline's Motion for Summary Judgment, **Ct. Rec. 36**, is
13 **DENIED**.

14 2. Teresa Valentine's Motion for Summary Judgment, **Ct. Rec. 41**,
15 is **GRANTED**.

16 3. A telephonic scheduling conference will be held on **October 16,**
17 **2007** at **1:30 p.m.** Counsel shall call the Court's conference line at
18 509-458-6382.

19 4. On or before October 9, the parties shall file a Joint Status
20 Certificate outlining the issues set forth below.

21 a. What motions are anticipated?

22 b. Are any special procedures needed, such as
23 reference to a special master, a magistrate, arbitration, or to
24

25 ²If the parties were to reach a stipulation concerning the
26 value of the 401K on the relevant date, a trial would be
unnecessary. In that circumstance, the Court could enter
judgment forthwith.

1 the Judicial Panel on Multi-district Litigation, or application
2 for Manual for Complex Litigation?

3 c. Are any modifications to the standard pretrial
4 procedures needed because of simplicity or complexity of this
5 case?

6 d. Should this case be bifurcated? Or are there other
7 issues regarding the structuring sequence of the trial?

8 e. What are the prospects for settlement?

9 f. Are there any other matters to discuss that may insure
10 the effective resolution of this case?

11 **IT IS SO ORDERED.** The District Court Executive is hereby
12 directed to enter this order and furnish copies to counsel.

13 **DATED** this 26th day of September, 2007.

14
15 s/ Fred Van Sickle
Fred Van Sickle
16 United States District Judge
17
18
19
20
21
22
23
24
25
26